
TIDAL ROYALTY CORP.

(formerly Tulloch Resources Ltd.)

Financial Statements

Years Ended July 31, 2017 and 2016

(Expressed in Canadian dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Tidal Royalty Corp. (formerly Tulloch Resources Ltd.)

We have audited the accompanying financial statements of Tidal Royalty Corp. which comprise the statements of financial position as at July 31, 2017 and 2016, and the statements of comprehensive loss, changes in deficiency and cash flows for the years ended July 31, 2017 and 2016, and the related notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Tidal Royalty Corp. at July 31, 2017 and 2016, and its financial performance and its cash flows for the years ended July 31, 2017 and 2016 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements, which indicates the existence of a material uncertainty that may cast significant doubt on the ability of Tidal Royalty Corp. to continue as a going concern.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, British Columbia
October 31, 2017

TIDAL ROYALTY CORP.
(formerly Tulloch Resources Ltd.)
Statements of Financial Position
As At July 31, 2017 and 2016
(Expressed in Canadian dollars)

	July 31, 2017 \$	July 31, 2016 \$
Assets		
Current assets		
Cash	20,265	1,585
Sales tax receivable	858	2,349
Prepaid expenses	1,211	-
Total assets	22,334	3,934
Liabilities and Deficiency		
Current liabilities		
Accounts payable and accrued liabilities	105,225	57,387
Due to related parties (Note 4)	22,766	49,780
Loans payable (Note 5)	30,000	-
Total current liabilities	157,991	107,167
Deficiency		
Share capital (Note 6)	12,297,109	12,297,109
Contributed surplus	27,464	27,464
Deficit	(12,460,230)	(12,427,806)
Total deficiency	(135,657)	(103,233)
Total liabilities and deficiency	22,334	3,934

Nature of Operations and Going Concern (Note 1)

Approved on behalf of the Board on October 31, 2017

"Stuart Wooldridge"
Stuart Wooldridge, Director

"Theo van der Linde"
Theo van der Linde, Director

(The accompanying notes are an integral part of these financial statements)

TIDAL ROYALTY CORP.

(formerly Tulloch Resources Ltd.)

For the Years Ended July 31, 2017 and 2016

Statements of Comprehensive Loss

(Expressed in Canadian dollars)

	July 31, 2017	July 31, 2016
	\$	\$
Expenses		
Advertising and promotion	1,508	6,083
Consulting fees (Note 4)	6,000	31,480
General and administration	1,285	12,518
Professional fees	14,717	8,679
Transfer agent and filing fees	5,919	-
Travel	2,995	-
Net loss and comprehensive loss for the year	(32,424)	(58,760)
Loss per share, basic and diluted	(0.01)	(0.02)
Weighted average number of common shares outstanding	2,843,636	2,768,795

(The accompanying notes are an integral part of these financial statements)

TIDAL ROYALTY CORP.
(formerly Tulloch Resources Ltd.)
Statements of Changes in Deficiency
(Expressed in Canadian dollars)

	Share capital		Share subscriptions \$	Contributed surplus \$	Deficit \$	Total \$
	Number of Shares	Amount \$				
Balance, July 31, 2015	2,660,303	12,242,109	45,000	27,464	(12,369,046)	(54,473)
Shares issued for cash	183,333	55,000	(45,000)	-	-	10,000
Net loss for the year	-	-	-	-	(58,760)	(58,760)
Balance, July 31, 2016	2,843,636	12,297,109	-	27,464	(12,427,806)	(103,233)
Net loss for the year	-	-	-	-	(32,424)	(32,424)
Balance, July 31, 2017	2,843,636	12,297,109	-	27,464	(12,460,230)	(135,657)

On June 26, 2017, the Company completed a one-for-three share consolidation. All references to share capital, warrants, options and per share data have been adjusted retrospectively to reflect the Company's one-for-three share consolidations for the years ended July 31, 2017 and 2016.

(The accompanying notes are an integral part of these financial statements)

TIDAL ROYALTY CORP.

(formerly Tulloch Resources Ltd.)

For the Years Ended July 31, 2017 and 2016

Statements of Cash Flows

(Expressed in Canadian dollars)

	July 31, 2017	July 31, 2016
	\$	\$
<hr/>		
Cash provided by (used in):		
Operating activities		
Net loss for the year	(32,424)	(58,760)
Changes in non-cash operating working capital:		
Sales tax receivable	1,491	486
Prepaid expenses	(1,211)	-
Accounts payable and accrued liabilities	47,838	8,114
Net cash generated by (used in) operating activities	15,694	(50,160)
Financing activities		
Due to related parties	(27,014)	32,627
Loans payable	30,000	-
Shares issued for cash	-	10,000
Net cash provided by financing activities	2,986	42,627
Increase (decrease) in cash	18,680	(7,533)
Cash, beginning of year	1,585	9,118
Cash, end of year	20,265	1,585
Supplemental disclosures:		
Interest paid	-	-
Income tax paid	-	-

(The accompanying notes are an integral part of these financial statements)

TIDAL ROYALTY CORP.

(formerly Tulloch Resources Ltd.)

Notes to Financial Statements

For the Years ended July 31, 2017 and 2016

(Expressed in Canadian dollars)

1. Nature of Operations and Going Concern

Tidal Royalty Corp. (formerly Tulloch Resources Ltd.) ("the Company") was incorporated under the laws of British Columbia as Treminco Resources Ltd. on March 12, 1980. The name was changed to Elkhorn Gold Mining Corporation on February 8, 1999 and to Tulloch Resources Ltd. on October 12, 2011 and to Tidal Royalty Corp. on July 18, 2017. The Company has historically been engaged in the identification of mineral properties for acquisition and exploration. The Company anticipates making investments involving conventional equity, debt and other forms of investments in private and public companies and anticipates seeking investment opportunities in the US .

The head office, address and records office of the Company are located at Suite 2900 – 595 Burrard Street, P.O. Box 49130, Vancouver, British Columbia, V7X 1J5.

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at July 31, 2017, the Company has no source of revenue, generates negative cash flows from operating activities, and has a working capital deficit of \$135,657 and an accumulated deficit of \$12,460,230. These factors give rise to a material uncertainty that raises significant doubt about the Company's ability to continue as a going concern. The continued operations of the Company are dependent on its ability to identify projects and negotiate suitable arrangements, maintain support from its significant shareholders and obtain additional financing. Management is of the opinion that sufficient working capital will be obtained from financing from related parties to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

2. Basis of Preparation and Statement of Compliance

Statement of Compliance

These financial statements have been prepared in accordance International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

The financial statements were approved and authorized for issuance by the Board of Directors on October 31, 2017.

The financial statements have been prepared on a historical cost basis except for financial instruments described in Note 3(d), which are measured at fair value. The financial statements are presented in Canadian dollars, which is the Company's functional currency. The accounting policies set out below have been applied consistently to all years presented in these financial statements as if the policies have always been in effect.

Use of Estimates and Judgments

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions about the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and the results of operations. Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

TIDAL ROYALTY CORP.

(formerly Tulloch Resources Ltd.)

Notes to Financial Statements

For the Years ended July 31, 2017 and 2016

(Expressed in Canadian dollars)

2. Basis of Preparation and Statement of Compliance (continued)

Use of Estimates and Judgments (continued)

i) Share-based payment transactions

Management uses the Black-Scholes pricing model to determine the fair value of stock options and standalone share purchase warrants issued. This model requires assumptions of the expected future price volatility of the Company's common shares, expected life of options and warrants, future risk-free interest rates and the dividend yield of the Company's common shares.

ii) Income taxes

Management exercises judgment to determine the extent to which deferred tax assets are recoverable, and can therefore be recognized in the statements of financial position and comprehensive income or loss.

iii) Going concern

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgment. The management monitor future cash requirements to assess the Company's ability to meet these future funding requirements. Further information regarding going concern is outlined in Note 1.

3. Significant Accounting Policies

(a) Cash and Cash Equivalents

The Company considers cash equivalents are highly liquid instruments with a maturity of three months or less at the time of issuance or are readily redeemed into known amounts of cash. As at July 31, 2017, the Company held cash only.

(b) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. At each financial position reporting date presented the Company has not incurred any decommissioning costs related to the exploration and evaluation of its mineral properties and accordingly no provision has been recorded for such site reclamation or abandonment.

TIDAL ROYALTY CORP.

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Notes to Financial Statements

For the Years ended July 31, 2017 and 2016

(Expressed in Canadian dollars)

3. Significant Accounting Policies (continued)

(c) Financial Instruments

(i) Non-derivative financial assets

The Company initially recognizes loans and receivables and deposits at fair value on the date that they originate. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risk and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets at fair value through profit or loss

Financial assets are classified as FVTPL when the financial asset is held-for-trading or it is designated as FVTPL. A financial asset is classified as FVTPL when it has been acquired principally for the purpose of selling in the near future; it is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit-taking or is a derivative that is not designated and effective as a hedging instrument. Upon initial recognition, attributable transaction costs are recognized in profit or loss when incurred. Financial instruments at FVTPL are measured at fair value, and changes therein are recognized in profit or loss. The Company classified cash as financial assets at FVTPL.

Held-to-maturity investments

Held-to-maturity investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. The Company does not have any assets classified as held-to-maturity investments.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale equity instruments, are recognized in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss. The Company does not have any financial assets classified as available-for sale.

TIDAL ROYALTY CORP.

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Notes to Financial Statements

For the Years ended July 31, 2017 and 2016

(Expressed in Canadian dollars)

3. Significant Accounting Policies (continued)

(c) Financial Instruments (continued)

(i) Non-derivative financial assets (continued)

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. The Company does not have any financial assets classified as loans and receivables.

Impairment of financial assets

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income or loss are reclassified to profit or loss in the period. Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been impacted. For marketable securities classified as available-for-sale, a significant or prolonged decline in the fair value of the securities below their cost is considered to be objective evidence of impairment.

For all other financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as amounts receivable, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of amounts receivable, where the carrying amount is reduced through the use of an allowance account. When an amount receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. In respect of available-for-sale equity securities, impairment losses previously recognized through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized directly in equity.

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Notes to Financial Statements

For the Years ended July 31, 2017 and 2016

(Expressed in Canadian dollars)

3. Significant Accounting Policies (continued)

(c) Financial Instruments (continued)

(ii) Non-derivative financial liabilities

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they originate. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following non-derivative financial liabilities: accounts payable and amounts due to related parties.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

(d) Income Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided based on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

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Notes to Financial Statements

For the Years ended July 31, 2017 and 2016

(Expressed in Canadian dollars)

3. Significant Accounting Policies (continued)

(e) Foreign Currency Translation

The functional currency of the Company is Canadian dollar, which is the currency of the primary economic environment in which that Company operates.

Transactions denominated in foreign currencies are translated using the exchange rate in effect on the transaction date which is approximated by an average rate. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange in effect at the statement of financial position date. Non-monetary items are translated using the historical rate on the date of the transaction. Foreign exchange gains and losses are included in profit or loss.

(f) Loss Per Share

Basic loss per share is computed using the weighted average number of common shares outstanding during the period. The treasury stock method is used for the calculation of diluted loss per share, whereby all "in-the-money" stock options and share purchase warrants are assumed to have been exercised at the beginning of the period and the proceeds from their exercise are assumed to have been used to purchase common shares at the average market price during the period. When a loss is incurred during the period, basic and diluted loss per share are the same as the exercise of stock options and share purchase warrants is considered to be anti-dilutive.

(g) Share-based Payments

The Company grants share-based awards to employees, directors and non-employees as an element of compensation. The fair value of the awards granted to employees and directors is recognized over the vesting period as share-based compensation expense and share-based payment reserve. The fair value of share-based payments is determined using the Black-Scholes option pricing model using estimates at the date of the grant. At each reporting date prior to vesting, the cumulative expense representing the extent to which the vesting period has expired and management's best estimate of the awards that are ultimately expected to vest is computed. The movement in cumulative expense is recognized in the statement of comprehensive loss with a corresponding entry within equity, against share-based payment reserve. No expense is recognized for awards that do not ultimately vest. When stock options are exercised, the proceeds received, together with any related amount in share-based payment reserve, are credited to share capital.

Share-based payment arrangements with non-employees in which the Company receives goods or services are measured based on the estimated fair value of the goods or services received, unless the fair value cannot be estimated reliably. If the Company cannot reliably estimate the fair value of the goods or services received, the Company will measure their value by reference to the fair value of the equity instruments granted.

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Notes to Financial Statements

For the Years ended July 31, 2017 and 2016

(Expressed in Canadian dollars)

3. Significant Accounting Policies (continued)

(h) Share Issuance Costs

Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred financing costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. Share issue costs are charged to share capital when the related shares are issued. Deferred financing costs related to financing transactions that are not completed are charged to expenses.

(i) Changes in Accounting Standards Issued

(i) There were no new or revised accounting standards scheduled for mandatory adoption on August 1, 2016 that affected the Company's financial statements.

(ii) Accounting Standards Issued But Not Yet Effective:

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB that are mandatory for future accounting periods with early adoption permitted. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

Standards effective for annual periods beginning on or after January 1, 2018:

IFRS 15 Revenue from Contracts with Customers - In May 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") which supersedes IAS 11 – Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers, and SIC 31 – Revenue – Barter Transactions Involving Advertising Services. IFRS 15 establishes a comprehensive five-step framework for the timing and measurement of revenue recognition. The standard is effective for annual periods beginning on or after January 1, 2018.

IFRS 9 Financial Instruments – In November 2009, as part of the IASB project the ASB intends to replace IAS 39 - Financial Instruments: Recognition and Measurement in its entirety with IFRS 9 – Financial Instruments ("IFRS 9") which is intended to reduce the complexity in the classification and measurement of financial instruments. In July 2014, the final version of IFRS 9 was issued and adds a new expected loss impairment model and amends the classification and measurement model for financial assets by adding a new fair value through other comprehensive income category for certain debt instruments and additional guidance on how to apply the business model and contractual cash flows characteristics. The standard is effective for annual periods beginning on or after January 1, 2018.

TIDAL ROYALTY CORP.

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Notes to Financial Statements

For the Years ended July 31, 2017 and 2016

(Expressed in Canadian dollars)

3. Significant Accounting Policies (continued)

(i) Changes in Accounting Standards Issued (continued)

(ii) Accounting Standards Issued But Not Yet Effective: (continued)

IFRS 2 Share-based Payment - In November 2016, the IASB has revised IFRS 2 to incorporate amendments issued by the IASB in June 2016. The amendment provide guidance on the accounting for i) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; ii) share-based payment transactions with a net settlement feature for withholding tax obligations and iii) a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The amendments are effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted.

Standard is effective for annual periods beginning on or after January 1, 2019:

IFRS 16 Leases - In June 2016, the IASB issued IFRS 16 - Leases. IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. However, lessees are no longer classifying leases as either operating leases or finance leases as it is required by IAS 17. The standard is effective for annual periods beginning on or after January 1, 2019.

The extent of the impact of adoption of these standards and interpretations on the financial statements of the Company has not been determined.

4. Related Party Transactions and Balances

The Company has identified its directors and certain senior officers as its key management personnel. No post-employment benefits, other long-terms benefits and termination benefits were incurred during the years ended July 31, 2017 and 2016.

During the year, the Company entered into transactions with related parties comprised of directors, officers and companies with common directors. The short-term key management compensation and director fees consist of the following for the years ended July 31, 2017 and 2016:

	2017	2016
	\$	\$
Consulting fees to companies owned by common directors	-	25,000
Consulting fees to companies owned by officers	6,000	-
Total	6,000	25,000

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4. Related Party Transactions and Balances (continued)

The amounts due to related parties consist of the following as at July 31, 2017 and 2016:

	2017	2016
	\$	\$
Due to related parties	22,766	49,780

A loan of \$10,000 is included in the amount of due to related parties above and it is for working capital purposes. The amounts due to the related parties are unsecured, non-interest bearing and due on demand.

5. Loans Payable

As at July 31, 2017, the Company issued loans payable of \$30,000 (2016 - \$Nil). The loans are unsecured, non-interest bearing and due on demand.

6. Share Capital

Authorized

Unlimited number of common shares without par value, and unlimited number of preferred shares without par value.

Issued and Outstanding

On June 26, 2017 the Company consolidated its share capital on a one-for-three basis. All share and per share information have been restated to retroactively reflect this consolidation for all periods presented.

During the year ended July 31, 2016, the Company issued 33,333 common shares at \$0.30 per share for gross proceeds of \$10,000. The Company also issued 150,000 common shares at \$0.30 per share for \$45,000 of share subscriptions received during the year ended July 31, 2015.

Stock Options

Under the Company's stock option plan (the "Plan") the Company has adopted a 20% rolling stock option plan ("Plan") to replace its previous 10% rolling plan. The Plan provides that the Board may from time to time, in its discretion, grant to directors, officers, employees, technical consultants and other participants to the Company, non-transferrable stock options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 20% of the Company's issued and outstanding common shares. Such options will be exercisable for a period of up to ten years from the date of grant. In addition, the number of common shares which may be issuable under the Plan within a one year period: (i) to any one individual shall not exceed 5% of the issued and outstanding common shares; and (ii) to a consultant or an employee performing investor relations activities, shall not exceed 2% of the issued and outstanding common shares. The underlying purpose of the Plan is to attract and motivate the directors, officers, employees and consultants of the Company and to advance the interests of the Company by affording such persons with the opportunity to acquire an equity interest in the Company through rights granted under the Plan.

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For the Years ended July 31, 2017 and 2016
(Expressed in Canadian dollars)

6. Share Capital (continued)

Stock Options (continued)

The following table summarizes the continuity of the Company's stock options:

	Options outstanding and exercisable	Weighted average exercise price \$
Balance, July 31, 2015	158,333	0.18
Expired	(83,333)	0.15
Balance, July 31, 2016	75,000	0.18
Expired/Cancelled	(75,000)	0.18
Balance, July 31, 2017	-	-

As at July 31, 2017, there were no stock options outstanding and exercisable.

7. Financial Instruments and Risks

(a) Fair Values

The Company applied the following fair value hierarchy which prioritizes the inputs used in the valuation methodologies in measuring fair value into three levels. The three levels are defined as follows:

- a) Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- b) Level 2 – Inputs other than quoted prices that are observable for assets or liabilities, either directly or indirectly; and
- c) Level 3 – Input for assets or liabilities that are not based on observable market data.

Assets and liabilities are classified in entirety based on the lowest level of input that is significant to the fair measurement. The Company's financial assets measured on a recurring basis at fair value are as follows:

	July 31, 2017			
	Level 1	Level 2	Level 3	Total
Cash	\$ 20,265	\$ -	\$ -	\$ 20,265

	July 31, 2016			
	Level 1	Level 2	Level 3	Total
Cash	\$ 1,585	\$ -	\$ -	\$ 1,585

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Notes to Financial Statements

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7. Financial Instruments and Risks (continued)

(b) Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash. The Company limits its exposure to credit loss by placing its cash and cash equivalents with high credit quality financial institutions. The carrying amount of these financial assets represents the maximum credit exposure.

(c) Foreign Exchange Rate and Interest Rate Risk

The Company's interest rate risk management policy is to purchase highly liquid investments with terms to maturity of three months or less on the date of purchase or redeemable at the option of the Company. The Company does not engage in any hedging activity. The Company does not have significant interest rate risk.

During the years ended July 31, 2017 and 2016, the Company held financial assets and liabilities and incurred expenses denominated primarily in Canadian dollars. The Company does not have significant foreign exchange risk.

(d) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations using cash. The ability to do this relies on the Company raising equity financing in a timely manner. As at July 31, 2017, the Company has a working capital deficiency and requires additional funds from financing to meet its current obligations (see Note 1). The Company manages liquidity risk through the management of its capital structure and financial leverage as outlined in Note 9.

The following are contractual maturities of financial liabilities as at July 31, 2017:

	Carrying Amount	Contractual Cash Flows	Within 1 year	Within 2 years
Accounts payable	\$ 97,225	\$ 97,225	\$ 97,225	\$ -
Due to related parties	\$ 22,766	\$ 22,766	\$ 22,766	\$ -

8. Income Taxes

The tax effect (computed by applying the Canadian federal and provincial statutory rate) of the significant temporary differences, which comprise deferred tax assets and liabilities, are as follows:

	2017 \$	2016 \$
Net loss before income taxes	(32,424)	(58,760)
Canadian statutory income tax rate	26%	26%
Expected income tax recovery at statutory rate	8,430	15,278
Tax effect of:		
Other non-deductible expense	(124)	276
Change in unrecognized deferred tax assets	(8,306)	(15,554)
Income tax recovery	-	-

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8. Income Taxes (continued)

The significant components of deferred income tax assets and liabilities are as follows:

	2017	2016
	\$	\$
Deferred income tax assets:		
Non-capital losses carried forward	180,670	172,211
Resource pools	875,655	875,655
Share issuance costs	-	153
Total gross deferred income tax assets	1,056,325	1,048,019
Unrecognized deferred tax assets	(1,056,325)	(1,048,019)
Net deferred income tax assets	-	-

As at July 31, 2017, the Company has non-capital losses carried forward of approximately \$695,000 which are available to offset future years' taxable income. These losses expire as follows:

	\$
2030	300
2031	96,900
2032	139,400
2033	225,600
2034	18,300
2035	122,000
2036	60,000
2037	32,500
	695,000

The Company also has certain allowances in respect of resource development and exploration costs of approximately \$3,368,000 (2016 - \$3,368,000) which, subject to certain restrictions, are available to offset against future taxable income. The application of non-capital losses and resource development and exploration costs against future taxable income is subject to final determination of the respective amounts by the Canada Revenue Agency.

9. Capital Management

The Company's objectives when managing capital are to identify and pursue business opportunities, to maintain financial strength, to protect its ability to meet its on-going liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. The Company does not have any externally imposed capital requirements to which it is subject. The Company's principal source of funds is advances from related parties and the issuance of share capital. Management considers all components of shareholders' deficiency and due to related parties as capital.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares while minimizing dilution for its existing shareholders.

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9. Capital Management (continued)

The Company's investment policy is to invest its cash in financial instruments in high credit quality financial institutions with terms to maturity selected to match the expected timing of expenditures to continue operations.

The Company's overall strategy with respect to capital risk management remains unchanged from the year ended July 31, 2017. Refer to Note 1 for management's plan to raise capital.

10. Segment Information

The Company currently operates in a single reportable operating segment. All of the Company's assets and expenditures are located in Canada.